CHICAGO TIF 101

What is TIF and how does it work?
- Tax Increment Financing (TIF) is a funding tool used to improve neighborhood infrastructure and promote investment in neighborhoods across the city. Funds are used to build and repair neighborhood streets, alleys, bridges, and lighting; modernize and improve schools; construct and upgrade the Chicago transit system; build and improve parks; increase affordable housing; and promote neighborhood economic development.
- Funds are generated by growth in property values within a designated district over a period of 23 years. As property values increase as a result of development and investment, TIF sets aside the increased property tax revenue and uses it to pay for neighborhood investments.
- The effective use of tax increment funds helps expand the tax base, thus increasing the amount of property tax generated in the district for re-investment within the district and ultimately increasing the property tax base for local governments and schools.

How many TIF districts are there?
- Currently, there are 147 TIF districts citywide.
- Between 2004 and 2011, the City created 44 new TIF districts.
- Since May 2011, six TIFs have expired, four TIFs have been created, and 14 TIFs have been closed as part of the Mayor’s TIF Task Force reforms.

How much does TIF generate?
- In 2014, the TIFs generated approximately $400M in property tax revenue. As TIFs expire or are terminated, the amount of overall revenue generated will decline. The anticipated revenue for 2015 across all TIFs is $350M.

How can TIF funds be spent?
- By law, TIF funds can be utilized for brick and mortar capital projects that improve schools, parks, roads, and businesses.
- TIF funds can be used for job training initiatives, but cannot be used for basic operational costs such as teacher salaries, police officers, or trash removal.

What is the current TIF cash balance and how are these funds being spent?
- At the start of 2015 current total cash balance in the TIFs was $1.38B.
- 90% of those funds ($1.25B) are committed to neighborhood projects.
  - Roughly 80% ($1.01B) of which is committed to schools, infrastructure, parks, transit, and affordable housing, including:
    - $199M in school buildings and facilities;
    - $575M in roads, bridges, residential sidewalks, and other infrastructure;
    - $119M for affordable housing
    - $67M in CTA stations and tracks; and
    - $48M in community parks.
  - All of these projects would be unfunded if TIF funds were “swept” for operational or other uses.
- The remaining committed TIF dollars (approximately $237M) are for economic development projects citywide. The majority of the economic development investment is dedicated to creating jobs in our neighborhoods; approximately 1% is investment in downtown.
Does TIF create jobs?

- Since 2011, the City has approved TIF economic development projects that have created or preserved more than 20,000 jobs.
- Over that same period, the City has used TIF to support infrastructure projects that have created more than 3,000 jobs.

How can TIF revenues be used for operating costs?

- While TIF revenues cannot be used directly for operating costs, excess revenue can be returned to the City, CPS and other taxing districts through a process called surplusing.
- TIF surpluses are TIF funds that are not needed for TIF projects. The City may declare these funds as surplus, returning the money to the applicable local taxing districts based on their share of the tax bill.
  - The City receives approximately 20% of TIF surplus, the Park District 6%, and CPS 52%.
  - Once a district receives the surplus, there is no restriction on how the funds can be spent.

How does the City determine how much to surplus?

- For the past four years, the City has declared TIF surpluses on a regular basis according to criteria based on the current projects and balance of funds in each TIF.
- In November of 2013, the Mayor issued Executive Order No. 2013-3 to formalize and expand this practice.
- This practice ensures that any unneeded TIF funds are put to productive use, while at the same time ensuring that TIF projects are adequately supported and financially solvent.

Does TIF take away property tax revenue from schools?

- TIFs do not take property tax revenue away from schools.
  - The amount of property tax revenue that CPS can levy and receive is capped by state law. This cap is unrelated to TIF, and the amount that CPS can levy and receive each year is not reduced by the existence of TIF districts.
- In fact, growth in TIF districts effectively increases CPS’ property tax cap, and thus increases property tax revenue for CPS.
  - The state cap on the amount that CPS can levy and receive does not apply to the incremental value that is created in TIFs. When a TIF expires or is terminated, CPS is allowed to “move” that TIF revenue to its general operating budget.
  - CPS is able to capture the growth in property value (and thus in property tax revenue) created by the TIF and add the value to its property tax levy, thereby increasing the resources available to schools.
  - This practice has resulted in $50M in additional annual resources for CPS since 2011.
- In addition, TIF funds are heavily invested in schools.
  - Since the start of the TIF program, the City has committed $1.27B to improving Chicago Public Schools. This funding has made numerous capital projects possible at schools across Chicago.
    - These investments include new schools, additions to schools, new windows, accessible classrooms and bathrooms, and new track and field facilities.
Further, CPS receives 52% of all funds that are surplused from the TIFs, something the City has done each of the past 4 years. CPS has received more than $200M in TIF surplus for its operating budget since 2011.

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